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ABSTRACT

The 1980-86 economic decline in many parts of rural America has had a serious impact on public school financing and programs. While the recession has severely affected farm land values, the effect on property taxes has been delayed for several reasons: (1) assessed values in many states are based on land productivity capacity rather than market prices; (2) assessed values typically lag behind market prices; and (3) mill rates frequently are adjusted to maintain needed revenues. In the long run, however, local governments in the farm-dependent counties will be faced with a downturn in property tax revenues. School districts will be particularly affected since about two-thirds of farm property taxes go to schools. Several of the National Education Association's state associations reported that assessed valuations have already declined, some dramatically. The Advisory Commission on Intergovernmental Relations identified factors indicating the presence of fiscal stress among 10 selected farm state governments. It concluded that North Dakota and Montana are facing the greatest fiscal strain, being doubly vulnerable from their high dependence on farming income and on revenue from severance taxes and royalty fees. Only Georgia and Missouri of the remaining states show little or no signs of fiscal stress. (JHZ)

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National Education Association

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The Impact of the Rural Recession on Public School Financing and Programs

By Albert J. Richter

Former Senior Analyst
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A report for the National Education Association

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Foreword

The 1985 NEA Representative Assembly directed the NEA to develop and implement a plan which will help to increase membership awareness of the crisis in rural America and assess its impact on the education of children and assess the importance of the rural crisis to the lives and jobs of NEA members.

This report fulfills the mandate of the 1985 NEA Representative Assembly. It paints a stark picture of reality for education and education personnel especially in those states with economies heavily dependent on agricultural, petroleum, and mineral resources where the depression is compounded.

Association executives in the selected states participated actively in the development of this report. We acknowledge their valuable insights on the effect of the crisis on education and education personnel by incorporating their comments in the report.

Don Cameron
Executive Director

October 1986

Introduction

The 1985 NEA Representative Assembly directed the NEA "to develop and implement a plan which will help to increase membership awareness of the crisis in rural America and to assess its impact on the education of children and assess the importance of the rural crisis on the lives and jobs of NEA members." This paper responds to that directive.

While most farmers are in a tolerable financial condition, 10 to 12 percent of farm operators are in serious financial stress from low commodity prices and an inability to pay interest and principal on debt or to have debt extended. The problem has been made critical by a steep decline in the value of farmland over the past five years, particularly in the grain-producing states of the Midwest. Besides causing an increasing number of farm failures, this financial stress has contributed to depressed economies in many rural communities and failures by nonfarm rural businesses.

The latest information indicates that the drop in land values is continuing but at a slower rate. Lower interest rates and a cheaper U.S. dollar abroad tend to stabilize rural economic conditions, but at a lower level than at the start of the recession. General indications are that depressed conditions will continue in many parts of rural American for some time to come.

In attempting to identify and analyze the impact of the rural recession on school district finances, this paper relies substantially on two recent studies by the Senate Subcommittee on Intergovernmental Relations and the U.S. Advisory Commission on Intergovernmental Relations. These studies focused on the impact of the recession on selected states—mainly in the Midwest—with high concentrations of farm-dependent counties. One of their limitations for our purpose is that they deal with local governments as a whole rather than school districts alone, a limitation that is mitigated by the fact that school districts are the major recipients of the two principal local revenue sources: state aid and the property tax. Also used in this analysis are responses to an NEA mail survey by 20 NEA state associations and unpublished Census Bureau financial data on certain school districts.

The two intergovernmental studies point out that while the recession has severely affected farm land values, the effect on property taxes has been delayed for several reasons: assessed values in many states are based on land productivity capacity rather than market prices; assessed values typically lag behind market prices; and mill rates frequently are adjusted to maintain needed revenues. But in the long run, local governments in the farm-dependent counties will be faced with a downturn in property tax revenues. School districts will be particularly affected since about two-thirds of farm property taxes go to schools, a percentage which is even higher in the farm-dependent counties of some states.

Several of NEA's state associations reported that assessed valuations have already declined—some dramatically. Some declines—as in Montana—are related to the drop in energy prices as well as the farm recession. Several states report that shrinking land values affect school districts' willingness to use the property tax. But some states—outside the Midwest—report little or no impact of the farm recession on property tax revenues or rural school finances in general: e.g. Mississippi,

Kentucky, and North Carolina.

A high rate of property tax delinquencies was reported in a special survey by the Senate subcommittee and was causing short-term difficulties in Minnesota.

Appraising the impact of the farm recession on state school aid requires looking at the financial condition and prospects of state government. The ACIR study approached this issue by identifying factors that indicate the presence of fiscal stress among its 10 selected state governments. It concluded that North Dakota and Montana are facing the greatest fiscal strain, being doubly vulnerable from their high dependence on farming income and on revenue from severance taxes and royalty fees. Only Georgia and Missouri of the other eight selected states show little or no signs of fiscal stress. ACIR concludes that because of the high sensitivity of state revenue systems to economic fluctuations, the most immediate threat posed by the farm recession for local governments will come in the form of reduction of state aid to localities. Reductions in aid to local school systems already have occurred in Iowa, Nebraska, North Dakota, Arkansas and Montana.

As they did with the property tax, the reports from state education associations reflect a mixed picture of the impact of the rural recession—and the effect of lower energy prices in some states—on school aid. The most severe effects appear in Montana, North Dakota, and Iowa. Little impact is reported from Minnesota and South Dakota. Other state associations report little impact of the rural recession on school finances generally, or failed to respond to the question.

General purpose local governments are concerned about the imminent loss of federal aid in the form of general revenue sharing. This loss may also affect school districts in states such as Missouri and Montana that depend substantially on city and county contributions to their budgets.

In summarizing the results of its overall analysis, ACIR highlighted the condition of state and local finance in its 10 selected states:

- Local governments in North Dakota and Montana show signs of fiscal stress, and the state governments in these two states are facing financial strains that may limit their ability to help shield their localities from the combined effects of the farm recession and drop in energy prices.
- Local governments in Iowa and Nebraska also show signs of fiscal stress; in addition, their state governments are experiencing some financial stress. State help in dealing with local conditions stemming from the farm crisis is more likely here than in North Dakota and Montana, but the states will not find it easy.
- Local governments in Missouri apparently are fiscally stressed, but the state is not. Thus, the state may be in a better position to help shield its local governments from the farm recession.
- Localities in Arkansas, Minnesota, and Mississippi show few signs of increasing fiscal stress, although the state governments in these three cases do appear to be financially strained. If further local stress should develop, state help might be problematic.
- Localities in Georgia appear to be relatively trouble free, and so does the state.

The Senate Subcommittee included in its summary commentary the conclusion that "In some areas the revenues needed to support even minimally adequate elementary and secondary education programs and other necessary social services may not be available in the future. Severe, long-term dislocations affecting the entire economy are possible."

The NEA survey asked the 20 selected state associations about the affect of the rural recession on school employees and solicited other comments on the impact of the recession and the drop in energy prices on public education in their states. Those that reported an impact on school revenues frequently traced through an effect on teachers' salaries, teacher employment, school program and services, and the quality of education. Several noted the increasing disparity in teachers' salaries and fringe benefits between rural and urban school districts. The most serious effects were reported from Colorado, Iowa, Kansas, Louisiana, Minnesota, Montana, Nebraska, and North Dakota. Minimal or no immediate impacts appeared in Kentucky, Mississippi, Missouri, North Carolina, South Dakota, and Wisconsin. Mississippi, however, showed the effects of energy price drops.

The Nature of the Rural Recession

In a paper prepared for the U.S. Department of Agriculture's Annual Agricultural Outlook Conference in December 1985, three financial economists summed up current farm economic conditions as follows:

> While most farmers are in tolerable financial condition, USDA's January 1985 Farm Cost and Returns Survey indicated that *10 to 12 percent of farm operators were in serious financial stress* as measured by the combination of a high debt/asset ratio and a negative cash flow. Developments since January in commodity and land markets suggest that the farm financial situation has worsened. There is little likelihood that many of these farmers can, on their own, solve their current financial problems and remain in farming.
>
> Financial problems in the farm sector reflect an inability to service the existing interest repayment and debt load of the sector from total operator earnings. These problems have been made critical by a fundamental downward adjustment of asset values. *Nearly $150 billion in owner's equity was lost through land value depreciation between 1981 and 1985.* This reflects a 19 percent nationwide decline in the value of farmland during this four year period. In the Midwest, declines in the average value of farmland approached 50 percent over this period. Recent evidence indicates that land values have continued to fall in some parts of the country, particularly in the Midwest, during 1985. As a result, owner's equity (particularly in land) can no longer shield the sector from its inability to repay its debt from current and expected future earnings. *Farmer income is often too low to keep loan payments up-to-date and farmer assets are too low to allow debt to be rolled over* (i.e., extended), forcing an increased number of farmers to quit farming.
>
> Besides causing an increasing number of farm failures, financial stress in the agricultural sector has also contributed to depressed economies in many rural communities and failures by nonfarm rural businesses. As farmers attempt to cope with lower commodity prices and declining asset values, the financial viability of farm machinery firms and other agricultural input suppliers is threatened. The drop in farm income also affects retailers serving heavy agricultural areas as farm families reduce their discretionary spending. *As a result, current problems within the agricultural sector have adversely affected the general rural economy, especially in the Midwest.*

Data from various other sources substantiate and elaborate on the picture presented by this quote:

- Farmland values declined 12 percent from April 1984 to April 1985, to their lowest level since 1979. The drop was the largest since the early 1930s, when values fell 17 percent in 1932 and 19 percent in 1933. The largest 1984-85 declines occurred in the Corn Belt (Illinois, Indiana, Iowa, Missouri, Ohio), Lake States (Michigan, Minnesota, Wisconsin), and the Northern Plains (Kansas, Nebraska, North Dakota, South Dakota) which incurred losses of 20 percent or more. Values have declined 40 percent or more from their peak levels in Nebraska, Iowa, Illinois, Indiana, and Ohio.
- 7.3 percent of U.S. farm families in 1985 had debt/asset ratios over 70 percent. Farmers start having problems meeting principal repayments at a debt/asset ratio of 40 percent. At 70 percent they have problems meeting both interest and principal. If their net worth continues to decline, many approach insolvency.

- The number of farm foreclosures, forfeitures of land contracts, and defaults on notes have reached levels not seen since the days of the Great Depression.
- A Spring 1985 poll on farm and rural life in Iowa found that 59 percent of farmers described themselves as financially worse off than they were a year earlier; 71 percent reported that the level of stress in their family had increased during the last three years.
- Situational strain is evident in farm areas today. First, strong feelings of relative deprivation exist in rural areas; especially among younger farmers who have been socialized to expect that an adequate investment of capital, hard work, and time would inevitably lead to a successful family farm.... Unfavorable market conditions, the declining farm population, and the erosion of political support for various farm advocacy programs and price support mechanisms have contributed to the increase in the number of farmers who are experiencing debt pressures and the fear of foreclosure.
- In Iowa, since 1980, the costs of production have continued to increase, while the prices paid for farm commodities have dropped as much as 37.5 percent. Agricultural land values that peaked at $3,000 per acre have now fallen to $800 per acre. Processors, particularly meat processors, have closed their doors permanently or relocated their operations in other states so that labor costs could be curtailed. The work force at plants which manufacture farm machinery in the Davenport and Waterloo areas have been reduced by as much as 50 percent. In the past two years 16 banks have closed their doors. Most recent estimates are that 30 percent of the farm families (61,500) are likely to face foreclosure in the next 12 months.
- In Texas, pessimism runs so deep that more than 15 percent of the farmers have told the state agriculture department they expect this to be their last year in farming.
- In Missouri and in Kansas, where about one in eight farmers hold virtually unrepayable debts, about six percent of the farmers have said this will be their last year.

The situation, in short, is that many farmers are suffering from low commodity prices, declining land values, pessimism concerning the future of export markets, and high ratio of debts to assets "reflecting an inability to service the existing interest repayment and debt load ... from total operator earnings." Although these conditions are prevalent nationwide in greater or lesser degree, their severest impact is in the Midwestern states. To understand the reasons for the rural recession, and also to gain insight into the future outlook for the farm economy, it is helpful to understand the causes of the current problems, some of which have already been cited or implied.

The Roots of the Recession

The current financial distress among many farmers, farm lenders and farm-based communities stems from excesses induced by the inflation of the 1970s and over-optimistic expectations of worldwide demand for U.S. farm products. These excesses made it extremely difficult or impossible for many farmers to adjust to the changing economic conditions of the 1980s.

In the 1970s, U.S. agricultural capacity expanded as farmers took advantage of accelerating inflation and very low to negative real interest rates. The value of the dollar was also generally low, making American commodities relatively cheap, so that the value of farm exports expanded more than five-fold during the 1970s. In response to these favorable conditions, farmers borrowed heavily to invest in new capital equipment, new and costly production techniques, and increasingly costly farmland. Average farm debt rose more than 10 percent a year, tripling by 1980. But land values increased even faster, leading both farmers and lenders to expect that investment in agriculture would continue indefinitely to be highly profitable and relatively risk free. In this expansionary atmosphere, U.S. farm production burgeoned and agri-business and farm-based communities prospered.

But by the early 1980s, the forces that produced economic expansion did an about-face. Worldwide recession and the rise in the value of the dollar reduced the foreign demand for U.S. products. Simultaneously, relatively high loan rates for U.S. farm commodities, which put a floor under domestic prices of government-supported farm commodities, induced other countries to substantially expand their grain output. By 1984 these factors sharply lowered farm commodity prices, reduced farm income, and cut U.S. farm exports by 13 percent from the peak of 1981.

On the cost side, farmers were hurt as inflation was dampened by tight money controls, real interest rates rose to new highs of eight to ten percent, and prices paid by farmers began to exceed the prices they received. As farm income nosedived, land values also plummeted because of expectations that farm earnings might be even lower in the future. As a result, the debt levels that some farmers incurred during the 1970s are no longer sustainable by their farming operations nor are they acceptable to their lenders in the current economic environment. Many farmers who borrowed heavily in the late 1970s to buy high-priced land and expensive farm machinery find themselves approaching insolvency. Thus, 7.3 percent of U.S. farmers in 1985 had a debt-asset ratio of over 70 percent and some of them were operating under extreme financial distress.

Effect on School Finance

To appraise the effect of the farm recession on school finances, one must focus on the sources of revenues in school districts where the local impact of declining farm incomes and land values have been the greatest. Unfortunately, national data do not exist which are both timely and in sufficient geographic detail to permit identifying financial trends in those school districts over the period of the rural recession. The five-year Census of Governments, the most recent compilation of data on all units of local government, was last conducted in 1982. Practically all the declines in land values have occurred since that time, making that date useful for marking the peak of rural prosperity but inappropriate for measuring the impact of recent fiscal stress.

Sources of Data Methodology

Lacking access to adequate national data, this analysis relies mainly on four principal sources of selected data. The first two are recent studies of the effects of the farm crisis on local government, conducted by the staff of the Senate Subcommittee on Intergovernmental Relations and by the U.S. Advisory Commission on Intergovernmental Relations. The third source is a brief NEA mail survey of NEA associations in 20 selected states. The final data source is unpublished Census Bureau financial data for some 13,000 of the nation's 16,389 school systems, including full coverage of six of the states most seriously affected by the farm recession. The latest such data are for 1984, again not current enough to allow for a full playing out of the effects of the farm recession. These data are used selectively at appropriate points in the analysis.

The two intergovernmental studies examined states with a concentration of farm-dependent counties. Farm-dependent counties were identified by the Department of Agriculture's Economic Research Service as deriving 20 percent or more of their total labor and proprietor income from farming/ranching during 1975-79. In all, such counties comprise 702 of the nation's 2,371 non-metropolitan counties. These counties are largely in the North Central and Plains states, with others scattered in the Northwest and the South.

The ACIR study focused on 10 states with a heavy representation of farm-dependent counties. Seven were in the North Central and Plains states (Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, and North Dakota) and were chosen for their concentrations on grain—among the hardest hit sectors of the agricultural economy. The southern states (Arkansas, Georgia, and Mississippi) were added to the sample to provide some comparison with other types of farming and different traditions of state and local government. The 10 states contain 373 or 53 percent of the nation's farm-dependent counties and therefore present a fairly representative picture of farm-dependent counties nationwide.

The Senate subcommittee study covered eight states—the ACIR's ten less Georgia and Mississippi. Whereas the ACIR study looked at all the farm-dependent counties within its selected states, the subcommittee confined its attention to crop-reporting districts that contain a high percentage of farm-dependent counties.

At the local level, both intergovernmental studies focused on local government generally rather than school districts alone. Most of their observations and conclusions have relevance for school district finances in those communities, however, since school districts are the principal recipients of local governments' two major sources of revenue—state aid and property taxes.

The 20 states canvassed in the NEA mail survey included the 10 states in the ACIR study plus Colorado, Idaho, Illinois, Kentucky, Louisiana, North Carolina, Oklahoma, South Carolina, Texas, and Wisconsin. Responses were received from 14 of the 20.

Effect on School Property Taxes

Nationwide, school revenues come mainly from state aid and property taxes—50.9 percent and 30.2 percent respectively in 1984. Since the rural recession has made its major impact on rural land values, one would expect the property tax to be most directly affected. Accordingly, attention is first directed to the rural recession's effect on the property tax.

The Senate subcommittee study found that in the eight crop-reporting districts, land values in current dollars increased by 50 percent or more between 1977 and 1981, only to drop back to 1977 or lower levels by 1986. In real dollars (i.e., adjusted for inflation), moreover, many counties have seen more than a 50 percent drop in the value of farmland.

But agricultural land made up varying proportions of the local property tax base in the eight states studied, from less than 15 percent in Montana and Kansas to 78 percent in Minnesota. Furthermore, the decline in farmland value was not reflected in assessed value changes, as agricultural assessed values remained relatively constant in most states from 1981 to 1985. This relative stability of agricultural assessed values during this time of volatile land prices is due to the assessing methods used. In all the eight states surveyed except Minnesota and Kansas, agricultural assessed values were based on a measure of the land's productive capacity, rather than market prices.

But, the study notes, one should not expect that agricultural assessed values will continue to hold at the same level. Future soil productivity tables will be revised to reflect the lower asset values of farmland and, as lower farm incomes are factored into state assessment formulas, agricultural assessed values will fall.

As might be expected, the subcommittee study also found that declining farm income has a negative effect on the economy of the local business community, further affecting property tax revenues of local governments. But as with agricultural property, these declines occur gradually over a number of years as businesses close and others relocate.

Property tax revenues are a product of assessed values and the mill rate. ACIR, like the Senate subcommittee, notes that, in the short run, we cannot assume a significant decline in property tax revenue because of the slow reaction of assessed value to economic decline. ACIR notes further, however, that "in the absence of tax rate limitation, reflecting market conditions often trigger increased mill rates designed to

maintain needed revenues." Thus forces work on both assessed valuation and the mill rate to tend to stabilize property tax revenues.

ACIR contrasts the short-run and the long-run prospects of property tax revenue in times of economic decline:

> Because the property tax is ... one of the most stable sources of revenue, a high degree of dependence on this tax source tends to act as insurance for local governments against economic downturns. Despite the increased property tax burdens placed on financially-strained taxpayers, the stability of the property tax tends to protect local governments from vagaries of the local economy *in the short run.*
>
> In the long run, the farm-dependent counties will be faced with a downturn in their most important revenue source—the property tax. Thus, they will be faced with the need to cut expenditures and service levels or seek additional revenues, or both.

Apart from its ultimate impact on assessed values, economic recession also can be expected to affect property tax collections through increased delinquency rates. A survey conducted by the Senate subcommittee within its eight crop-reporting districts found that delinquencies rose substantially in dollar terms between 1980 and 1985, increasing seven fold in the Nebraska counties studied, from less than $750,000 in 1980 to more than $5.5 million in 1985, and more than doubling in Iowa, Kansas, Minnesota, and Montana.

Reliance on Property Tax

The impacts of declining farm property values and lower business community property values on the fiscal ability of local government will depend on the proportion of local revenues coming from the property tax. The subcommittee study found that property taxes are more than 40 percent of local revenue in the crop-reporting districts studied in Montana, Kansas, and Nebraska, and less than 20 percent in Arkansas and Missouri. Clearly, it concludes,

> Nebraska communities are at substantial risk since agricultural values make up a substantial portion of the local property tax base and more than 40 percent of 1982's local government revenue comes from the property tax. The Montana and Kansas crop reporting districts surveyed are less exposed to stress from declines in agricultural values because proceeds from the region's oil and gas wells are part of the local tax base. But, declining oil and gas prices may produce a similar reduction in the property tax base.
>
> In states such as Minnesota, Iowa and North Dakota, where property taxes provide between one-third and one-fifth of local revenues, the outlook, while not as strained as Nebraska, is certainly not optimistic. Agricultural values remain a major component of the local property tax base, and further declines will force millage rate changes if localities are to maintain existing service levels.

Census Data

Elsewhere in its study (p. 27), the Senate subcommittee reports that about two-thirds of farm property taxes went for schools. Thus, the conclusions in the subcommittee report with respect to the effect of the rural decline on property tax revenues of local gov-

ernments as a whole in certain states clearly apply to property tax revenues of school districts in those states. Moreover, Census Bureau data show that in some states, school districts in farm-dependent counties rely more than average on the property tax. Thus, Nebraska school districts statewide derived 52.1 percent of their revenues from property taxes in 1984, whereas the percentage for school districts in farm-dependent counties was 56.5 percent. Similarly, in Iowa the two percentages were 40.5 percent and 43.9 percent respectively, and in Kansas 39.9 percent and 54.7 percent. Consequently, the conclusions drawn in the subcommittee report regarding the property tax outlook apply with special force in these three states.

The same Census Bureau data source allows a gauging of the 1982-84 trend in actual property tax revenues of school districts in six of the ACIR's 10 sample states, for the state as a whole and for the farm-dependent counties. While the 1982-84 period does not permit a reading for the full period of the rural recession, it gives an indication of the early years. The data are presented in Appendix Table 1.

In all but one of the states (Minnesota), the rate of increase in property tax revenues was below the national average, and usually substantially so. In all cases except Kansas, moreover, the rate of increase was lower in the farm-dependent counties than in the state as a whole. Districts in the farm-dependent counties of Missouri actually suffered a drop in property taxes (−7.9 percent) and North Dakota's rose only 2.2 percent compared with the nationwide two-year increase of 17.2 percent. These figures suggest that in the early or mid-years of the period of economic decline, school districts in some farm-dependent states already were feeling the effect of the decline on their property tax revenues.

Reports from State Associations

The Senate subcommittee and ACIR studies emphasize mainly the long range consequences of the economic decline on farmland values and property tax revenues. The former study also sees greater vulnerability in states, such as Kansas and Nebraska, with high reliance on property taxes. Census data suggest the possibility that economic decline may have had an effect on property tax revenues in farm-dependent school districts in some states in the 1982-84 period. The state education associations submit varied reports on the impact of the farm recession on property taxes.

Iowa, Colorado, Nebraska, Wisconsin, and Minnesota report declining land values. Thus, in Iowa, "agricultural land values that peaked at $3,000 per acre have now fallen to $800 per acre." In Nebraska, "falling farm income has caused land prices to decline in some parts of the state by as much as 50 percent...." And while a drop in valuation for tax purposes might lag behind the actual drop in land values, several of the states report that a decline in assessed valuation has in fact occurred. In Nebraska, for example, "as farmland prices fall, the number of property tax dollars that can be generated from any one piece of ag land also declines. This results in a shrinking tax base for many K-12 districts." In Wisconsin, "farm valuation is dropping—projected 20 per-

cent decrease which must be picked up by cities." In Minnesota, "assessed valuations are dropping—dramatically. As a result, the mill rate is higher." Assessed values in Wisconsin and Minnesota are based on market prices and thus would be expected to reflect declining land values more quickly than in most other states where assessed values are based on productive capacity.

In Montana, the recent recession is mostly generated by the drop in oil prices. But the situation "was further complicated by a severe drought in 1985 resulting in a $100 million decline in farm income. Agricultural values simultaneously fell by a statewide average of 15 percent."

Louisiana's economy, both rural and urban, has also suffered from the drop in oil prices. "There is a real possibility that taxes will have to be increased and this would include property taxes and property valuations."

Shrinking land values affect school districts' willingness and ability to use the property tax. In North Dakota: "Local school districts are reluctant to seek mill levy/property tax increases." In South Dakota: "Less willingness to vote tax increases." In Minnesota: "It is next to impossible to pass a levy referendum in rural school districts. This is becoming a serious concern, particularly in southern Minnesota." In Kansas: "The high farm debt has caused local boards to be unwilling to raise property taxes, especially in rural

areas. Boards are not using their full budget authority to keep taxes down."

In Iowa, state action threatened to constrain local property tax action as the Governor was proposing a two-year dollar freeze on all property tax collections at 1985-86 levels.

Minnesota was the one state that reported a problem with tax delinquencies, particularly in the southern part of the state.

> After five years of delinquent taxes, the land is forfeited and ownership is lost by the farmer. The land is auctioned and the delinquent taxes are cancelled. This rarely occurs because farmers either pay the taxes or foreclosure occurs. However, in the short term, property tax delinquencies cause serious school finance problems.

Other states surveyed reported little or no impact of the farm recession on rural school districts. In Mississippi: "Farm debt has had little impact on school finance.... The agricultural community has long held 'most favored status' with regards to taxation thereby minimizing the impact of the current crisis in Mississippi." In Kentucky: "the current high farm debt has had virtually no effect on local school finance...." In North Carolina: "the current high farm debt has not had a measurable impact on school finance ... a major portion of the funds for local public schools comes from state and federal sources. The state contribution is funded by income and sales taxes. These taxes are not directly affected by the farm debt problem as property taxes would be."

In Missouri, the effect has been minimal so far, but could change. The state tax commission proposed lowering the stipulated per acre assessed value for some types of agricultural land for 1986, which would have lowered revenue for some school districts. However, the legislature prevented this from happening in 1986 and provided "a method to offset any effect of such a change in the future. If, in the future, the crisis worsens, the solution will not work, and there will be a negative impact in all the listed areas."

Effect on State School Aid

"Existing state aid programs should help take up some of the shock to local educational systems" from declining property tax revenues, according to the Senate subcommittee report. But payment of state aid depends on the state government's ability to pay, that is, its financial well-being, and the formulas on which the grants are based. Thus, in appraising the current and potential impact on state school aid, it is necessary to look at the financial condition and prospects of the state government. The ACIR study approached this issue by identifying factors that indicate the presence or absence of fiscal stress among its 10 selected state governments. The results are shown in Table 1.

The states are arrayed in order of the importance of farm income as a percentage of all farm income (column 1). While this factor does not necessarily prove that the state government will be fiscally stressed, it does indicate the degree of exposure of the state government to financial problems experienced by many farmers and farm-related businesses.

The data in columns 2 and 3 show the rate of growth in state revenues during the last two years and the national average. The fact that a number of these states have rates of revenue growth well below the national average suggests strongly that the revenue bases of these states were not growing at a rate required to continue full financing of many state and local programs. ACIR points out that North Dakota, Nebraska, and Montana have experienced actual reductions in state revenues without reductions in state tax rates.

ACIR included data on energy and mineral revenue (column 4) because, as already noted, several of the sample states—North Dakota, Montana, Kansas and Mississippi—get significant portions of their state revenues either directly from oil and energy industries in the form of severance taxes, or royalty fees, or indirectly from the economic resources that energy industries provide in the state. These states have been affected adversely by the recent steep drop in oil prices, aggravating the effects of the agricultural recession.

Cuts in the FY 86 budget made after the budgets were enacted (columns 5 and 6) present direct measures of the fiscal stress of the selected states. ACIR notes that of the 17 states nationwide that have enacted such cuts, seven are represented in the 10 states selected for its study.

The 17 states were reported by the National Conference of State Legislatures in its *Fiscal Letter* of April 1986. The NCSL observed that:

> Many of the plains, western, and midwestern states, such as Colorado, Idaho, Iowa, Nebraska, and Wisconsin have had revenue problems arising from depressed farm economies. Farm foreclosures and bankruptcies have far-reaching negative impacts on state economies in the form of fewer jobs and reduced spending power, which in turn reduces tax collections. Furthermore, lowered crop prices affect farmers' ability to pay their property taxes.

Most important for our purposes is the information contained in column 6—"Changes in State Funding for Education Since 1986 Budget Adopted." Five of the 10 states show decreases—North Dakota, Iowa, Nebraska, Arkansas, and Montana. The significance of these developments as indicators of states' fiscal condition is underscored

Table 1

Indicators of Fiscal Stress for 10 Selected State Governments

State (Ranked on the Basis of of Farm Dependence)	Percentage of all State Personal Income From Farms	Pecent Change in State Revenue		Energy & Mineral Rev. as a % of Own-Source General Revenue	State Budget Cuts Since Since FY86 Budget Adopted	Changes in State Funding for Education Since 1986 Budget Adopted	Fiscal Stress Apparent
		1984-85	1985 est.				
	1	2	3	4	5	6	7
U.S. Average	1.43%	9.1%	4.9%	n.a.	17	n.a.	n.a.
North Dakota	9.88	1.1	−19.5	22.0	X	Decreased	Yes
Iowa	6.96	2.9	4.4	0.4	X	Decreased	Yes
Nebraska	6.88	−2.7	7.9	1.5	X	Decreased	Yes
Arkansas	4.91	13.2	3.3	1.5	X	Decreased	Yes
Kansas	4.02	6.8	1.4	5.4		Increased	Yes
Georgia	3.37	14.4	7.7	0.1		Increased	No
Minnesota	3.34	3.0	−4.3	1.3	X	Increased	Yes
Mississippi	3.28	4.1	7.7	5.3	X	No Change	Yes
Missouri	1.30	9.8	6.4	2.6		Increased	No
Montana	0.91	9.8	−4.2	21.1	X	Decreased	Yes

[ ] —Indicator of actual or potential fiscal stress.

SOURCES: Farm income data based on Bureau of Economic Analysis, *Survey of Current Business*, August 1985; Percentage increase in state tax revenue for 1985 based on Census, *State Tax Revenue in 1985*, February 1986; Percentage change in state general fund revenue in FY 86 and information on state aid to education based on telephone conversations with state officials, March 1986. All 1986 estimates made between November 1985 and March 1986. ACIR staff compilation and calculations.

Notes:

KS: Estimates made as of November 1986 and incorporate a drop in oil prices from $27/bbl. to $20/bbl. Because oil prices have fallen well below $20/bbl., the 1986 estimate is probably too high.

MN: There was a 10% surcharge on individual income tax still in effect for the first half of FY 85, making the 1986 decrease more pronounced that it otherwise would be.

NE: Estimates made as of February 1986 and assume an increase in the individual income tax from 19% to 20% of federal tax liability.

by ACIR when it notes that "education is generally considered to be the most popular state-local program—drawing large amounts of support from middle class taxpayers and various education interest groups. Typically, education is one of the last government functions to be cut in austere times."

ACIR staff gives its overall judgment on the degree of fiscal stress in the 10 states in Column 7—and their ability to aid their local governments. North Dakota and Montana are facing fiscal stress on two fronts. North Dakota is impacted by both a high rate of personal income derived from farming and high revenue dependence on severance taxes and royalty fees. The overall budget cuts and the cuts in aid to education were forced by the sharp drop in state revenues in FY 86 as evidenced in column 3. Montana's indicators are much like North Dakota's, but it is less dependent on agricultural income. Iowa, Nebraska, Arkansas, Kansas, Minnesota, and Mississippi also exhibit some fiscal stress; and only Georgia and Missouri show little or no signs of fiscal distress.

Addressing the issue of future state revenue prospects in the 10 states, ACIR observes that

> major state revenue producers—especially the general sales and income taxes—exhibit a high degree of sensitivity to the downward path of the farm economy. The vulnerability of state revenue systems to economic downturns is strikingly illustrated by the recent sharp drop in revenue flows in Nebraska, North Dakota, and Montana.
>
> Because of the high sensitivity of state revenue systems to economic fluctuations, the most immediate threat posed by the farm crises for local governments will come in the form of reductions in state aid to localities. *Reductions in aid to local school systems have already taken place in several states—Iowa, Nebraska, Arkansas and Montana.*

Effect on State Aid

Census Bureau data for 1984 permit comparing school districts in the farm-dependent counties with those in all counties in six of the ACIR's ten selected states. Only in Missouri were school districts in farm-dependent counties more dependent on state aid than school districts statewide, and then only negligibly (36.8 percent compared to 36.6 percent). In Iowa, Kansas, Minnesota, Nebraska, and North Dakota the farm-dependent school districts relied less on state aid than the statewide average. Thus it appears that in these states, cuts in state aid would be less likely to affect school districts in farm-dependent areas than in other areas.

Census Bureau data also permit an examination of the 1982-84 trend in state aid in school districts of farm-dependent counties in the same six states. The data are shown in Appendix Table 2. They indicate little consistency among the six farm-dependent states, as Kansas and Nebraska experienced statewide increases substantially above the national average and the other four had increases substantially below, with Minnesota actually showing a decline. School districts in farm-dependent counties usually, but not in every case, lagged behind the statewide average increase or registered a larger decline. Thus, it is difficult to generalize on the relative impact of the rural decline on state aid payments in these six farm-dependent states in these early years of the decline.

Reports from State Associations

As they did with the property tax, the reports from state education associations reflect a mixed picture of the impact of the rural recession—and the effect of lower energy prices in some states—on state school aid. The most severe effects appear in Montana, North Dakota, and Iowa, confirming some of the key ACIR findings.

In Montana, where the economic recession stems more from lowered energy prices than the farm decline:

> ...there appears to be a $20 million shortfall in foundation program money available from the state to school districts for FY87. The Governor proposes cutting foundation schedules to save $11 million and suggests that local districts cut expenditures or draw down reserves to compensate for lost state funding to cover both the $11 million and remaining $9 million deficit. While many small districts with relatively high taxable valuation may be able to cover the shortfall, most of the larger districts are low tax valuation, high existing tax effort, and have insufficient reserves to cover. If implemented, the Governor's proposal means educational program disaster for half of the state's students and will significantly contribute to the state's loss of a pending ed funding (Serrano) case set for trial in May, June 1987.

In North Dakota, also suffering from the energy price decline:

> The farm economy nosedive coupled with the bottoming out of energy prices has caused a shortfall of roughly $140 million to the state. As a direct result, the Governor ordered a 4 percent cut for most state agencies and budgets. Included in this was a $85/student cut in per pupil foundation aid ... If the Governor is unsuccessful in obtaining bipartisan support for a special legislative session to raise taxes (income and/or sales, etc.), it appears that he will institute a second round of cuts.

In Louisiana, as a consequence of the drop in oil prices, "the state legislature is in session at this time (June 1986) dealing with a proposed state budget that cuts almost $500 million from state programs. The heaviest cuts will take place in education."

In Kansas, the drop in land prices has benefitted rural areas in one respect: it has shifted state aid from the urban areas (traditionally poor land values) to the rural areas (usually valued higher). But overall, state aid prospects are not good because of the decline in energy prices:

> State aid increase was $10 million, the lowest since 1973. . . .
>
> Energy prices have harmed the schools' fiscal outlook as the state relied on a severance tax to help fund the general fund of the state from which state aid is taken. The state passed a one cent sales tax for 1986 which would bring in $180 million. Most of the increase went to making up the shortfall in estimated state revenues and schools received very little of the increase. . . .

In Iowa, since 1980, the "public schools have been victimized by four

across-the-board reductions totaling in excess of $130,000,000." In addition:

> Republican Governor Terry Branstad has proposed that state aid to school districts for 1986-87 be frozen at 1985-86 levels—a reduction of nearly $42 million from what the school aid formula would produce.... The Democrats who control both houses of the legislature by substantial margins are unlikely to approve the Governor's recommendations. They, in a more insidious and underhanded fashion, are likely to allow the formula to work without benefit of increased revenues. The result, come December—a month following the election, will be constitutionally mandated across-the-board cut by the Governor in all appropriations amounting to as much as six percent or $46 million in education aid. Either way, teachers and education are big losers.

Minnesota and South Dakota reported little impact of the farm recession on state aid, apparently because of the way their foundation aid programs work. From North Carolina, where local schools are financed mainly from state and federal funds, the state association reports that, unless farm prices improve, there could be some effect on sales and income taxes and therefore state aid. "But how that would be passed on to the public is not clear."

Kentucky and Mississippi, as noted earlier, reported little impact of the recession on school finances generally. No comments on the effect of the recession on state aid were received from the state associations in Colorado, Nebraska, Missouri, or Wisconsin.

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Federal Aid

Nationwide, school districts in 1985-86 received 6.4 percent of their funds from federal aid. The ACIR study found, moreover, that local governments in the farm-dependent counties of their sample states tend to rely less on federal aid as a source of revenue than do governments in other counties. On the surface, this might seem to be good news because recent declines in federal aid and predictions of additional cutbacks over the next few years imply that the less dependent governments are on such aid, presumably the less they will be hurt by reductions in those aid programs. But, ACIR notes, the general purpose governments in these farm-dependent counties rely on the federal government's general revenue sharing program more than other counties and GRS is to be discontinued in September 1986. This federal action may adversely affect general purpose governments in these agriculturally dependent counties more than in other counties, exacerbating problems caused by the decline in the agricultural tax base. It may also indirectly affect school districts in certain states, specifically Kansas, Missouri, Montana, and Nebraska, because in those states, according to Census Bureau data, school districts derive substantial proportions of their revenues from payments by cities and counties, especially in farm-dependent counties. Thus, for example, in 1984, school districts in Missouri's 36 farm-dependent counties received more than 20 percent of their revenues in the form of payments by cities and counties. Similarly, in a random 20 percent sampling of school districts in Montana's farm-dependent counties, city and county contributions constituted over 35 percent of the school districts' revenues.

As for the possibility that states might act to substitute state aid for reduced federal funding, the National Conference of State Legislatures reported in April 1986 that in most states such action appears unlikely this year. They cite existing budget problems in many states but also the fact that the extent of the federal cuts is unknown.

Overall Findings: ACIR and Senate Subcomittee

In summarizing the results of its overall analysis of the farm recession's impact on state and local finances, ACIR highlighted conditions in the individual states:

- Local governments in North Dakota and Montana show signs of fiscal stress, and state governments in these two states are facing financial strains that may limit their ability to help shield their localities from the combined effects of the farm recession and drop in energy prices.
- Local governments in Iowa and Nebraska also show signs of fiscal stress; in addition, their state governments are experiencing some financial stress. State help in dealing with local conditions stemming from the farm crisis is more likely here than in North Dakota and Montana, but the states will not find it easy.
- Local governments in Missouri apparently are fiscally stressed, but the state is not. Thus, the state may be in a better position to help shield its local governments from the farm recession.
- Localities in Arkansas, Minnesota, and Mississippi show few signs of increasing fiscal stress, although the state governments in these three cases do appear to be financially strained. If further local stress should develop, state help might be problematic.
- Localities in Georgia appear to be relatively trouble free, and so does the state.

The Senate Subcommittee did not attempt a summary similar to ACIR's with respect to each of its eight selected states but drew the following general conclusions, some of them based on ACIR findings:

> . . . rural local governments face the prospect of a shrinking revenue base for the rest of this decade and longer. Ordinarily, they would turn to state government for assistance. But, farm problems also affect state revenues, particularly in those states whose economies are most dependent on agriculture.

- In three of eight states examined, state personal income lagged at least 20 percent behind the national average between 1982-85;
- Since 1984, state government tax collections lagged at least 20 percent below the national average in five of the eight states examined in this report;
- Seventy-five percent (more than twice the national average) of the agricultural states examined in this study reported mid-year reductions in their 1986 budgets due to smaller than anticipated revenue collections, and state aid to education has been cut in five of the same eight states. . . .

Federal government cutbacks will add to the problem. . . .

> In short, the farm crisis has an important third dimension . . . a governmental dimension . . . which both reflects and magnifies the economic problems now confronting farmers, bankers, and rural businessmen across rural America. In some areas the revenues needed to support even minimally adequate elementary and secondary education programs and other necessary social services may not be available in the future. Severe long term dislocations affecting the entire economy are possible.

Effect on Education and NEA Members

The NEA survey asked the 20 selected state associations about the effect of the rural recession on teachers' salaries and the number of school employees, and asked them to offer other comments on the impact of the economic recession and the drop in energy prices on public education in their states. As would be expected, those that reported an impact on school revenues frequently traced through an effect on teachers' salaries, teacher employment, and school program. The most serious effects were reported from Iowa, Nebraska, North Dakota, Louisiana, Kansas, Minnesota, Montana, and Colorado. Minimal or no immediate impacts appeared in Mississippi, Wisconsin, Missouri, South Dakota, North Carolina and Kentucky. Mississippi, however, showed the effects of energy price drops.

In Iowa, the state's imposition of four across-the-board reductions for public schools since 1980, totaling in excess of $130,000,000,

> equates to a $4,333 reduction in salary for each teacher employed . . . in 1980 or a reduction of 6,500 in the number of teaching positions since that date. . . . Fifteen years ago Iowa ranked 20th in teacher pay. As recently as 1980 Iowa ranked 25th. This year Iowa ranks 37th. . . . Proposals advanced by the Governor and legislative leaders, if adopted, would precipitate another decline in relative position similar to that experienced this year, leaving Iowa teachers with a national ranking of 42 or 43.
>
> The number of full-time equivalent teaching positions in Iowa has declined by 3,100 or 12.15 percent since 1980. During the same period Iowa's student population has declined by 9.12 percent. Proposals advanced by the Governor and legislative leaders could, if enacted, result in as many as 2,000 layoffs between now and the opening day of school in September.

In Nebraska:

> The loss of property tax revenue has prompted significant program cuts and faculty layoffs. Of the 432 teacher rights files established this year, approximately 345 dealt with potential or actual reduction-in-force. We have no idea at this time how many positions were lost by attrition. . . .
>
> In the urban centers, teacher bargaining contracts are generating raises in the 6 to 8 percent range but in rural Nebraska the raises in some locals will be nonexistent or may be in the 3 to 4 percent range. . . .
>
> In the rural areas, real or imagined, the farm crisis is taking its toll on teacher salaries and the quality of education students are receiving.

In North Dakota:

> The immediate action precipitated by the Governor's cuts (in foundation aid) translated into approximately 350 teacher nonrenewals. It is our opinion that North Dakota will begin the 1986-87 school year with 250 fewer teachers. In addition, it appears from early bargaining settlements that teacher salary increases will be minimal or nonexistent.

In Louisiana, the legislature is considering heavy cuts in education to meet a $500 million budget deficit caused by the drop in oil prices.

> If these cuts become reality, we foresee widespread personnel reductions, reduction in salaries, and the elimination of many basic educational programs and services.

In Kansas, "teacher salary increases in 1986-87 could be the lowest in 10 to 12 years."

In Minnesota:

> The disparities in teachers' salaries and fringe benefits between rural and metro school districts continue to grow.... In many instances, the dollars are available, but boards are not willing to increase salaries at the same time that farmers and small businessmen and women are faced with economic crisis.

In Montana, as noted earlier, if the Governor's cut in foundation aid schedules is implemented, it will mean "educational disaster for half of the state's students...."

Colorado is not among the principal states identified in the ACIR study as severely affected by the rural recession, yet according to reports from the Colorado Education Association, school districts are experiencing similar effects there:

> Moffat County had the lowest increase in per capita income over the past five years of any county. The community refused to permit the school board to build a new school administration building even though the money was available because of the communities' economic problems. This is part of a community backlash against teachers whose salaries have not decreased along with the community....
>
> Sterling County had 16 early retirements among teachers. They will not be replaced. Some consider the early retirement incentives provided as an alternative to layoffs.... Akron County accepted a one percent salary raise to stave off layoffs.... Salaries in rural agricultural districts are low. Some teachers are working up to three jobs. Teachers are looking for jobs outside of agriculture areas because they can't lead a normal life.... Had reports of students showing up drunk to class because of farm stress.
>
> Salary schedules are low in rural Colorado. School boards are balking at salary increases citing bad times. But they were equally hesitant in "good times...." Student enrollment is declining. Some attribute school district consolidation for cuts in school programs, e.g., art, music, vocational education, to tight budgets. This is particularly noticeable in small rural districts.

While little affected by the farm recession, Mississippi, like Montana and North Dakota, has felt the effect of energy price drops:

> ...a major portion of a state budget shortfall of $108 million could be traced to lost energy tax revenues. The shortfall has resulted in reduced expenditures on educational supplies, textbooks and materials. Next year, there is fear the impact could have a more direct personal effect upon school employees.

Wisconsin reports:

> Small amount of layoffs but facing teacher shortages. Teachers' salaries are meeting statewide goal of $2,000 per returning teacher.

Missouri, as already noted, reported little effects of the rural recession. But the state association reports that "the rural schools have always lacked resources for expanding programs. The rural crisis will just make it worse eventually."

South Dakota reports "very little change" in teacher salary increases and little change in number of school employees.

Demographic Trends

The responses from several of the state associations alluded to recent population and school enrollment shifts in rural areas. Thus, in Nebraska:

> The crisis in the farm economy has resulted in population loss in nearly all counties ... except those lying alongside Interstate 80 from Iowa to Wyoming.... These population losses have further reduced student enrollment and have aggravated the problem of reduction-in-force.

In Colorado:

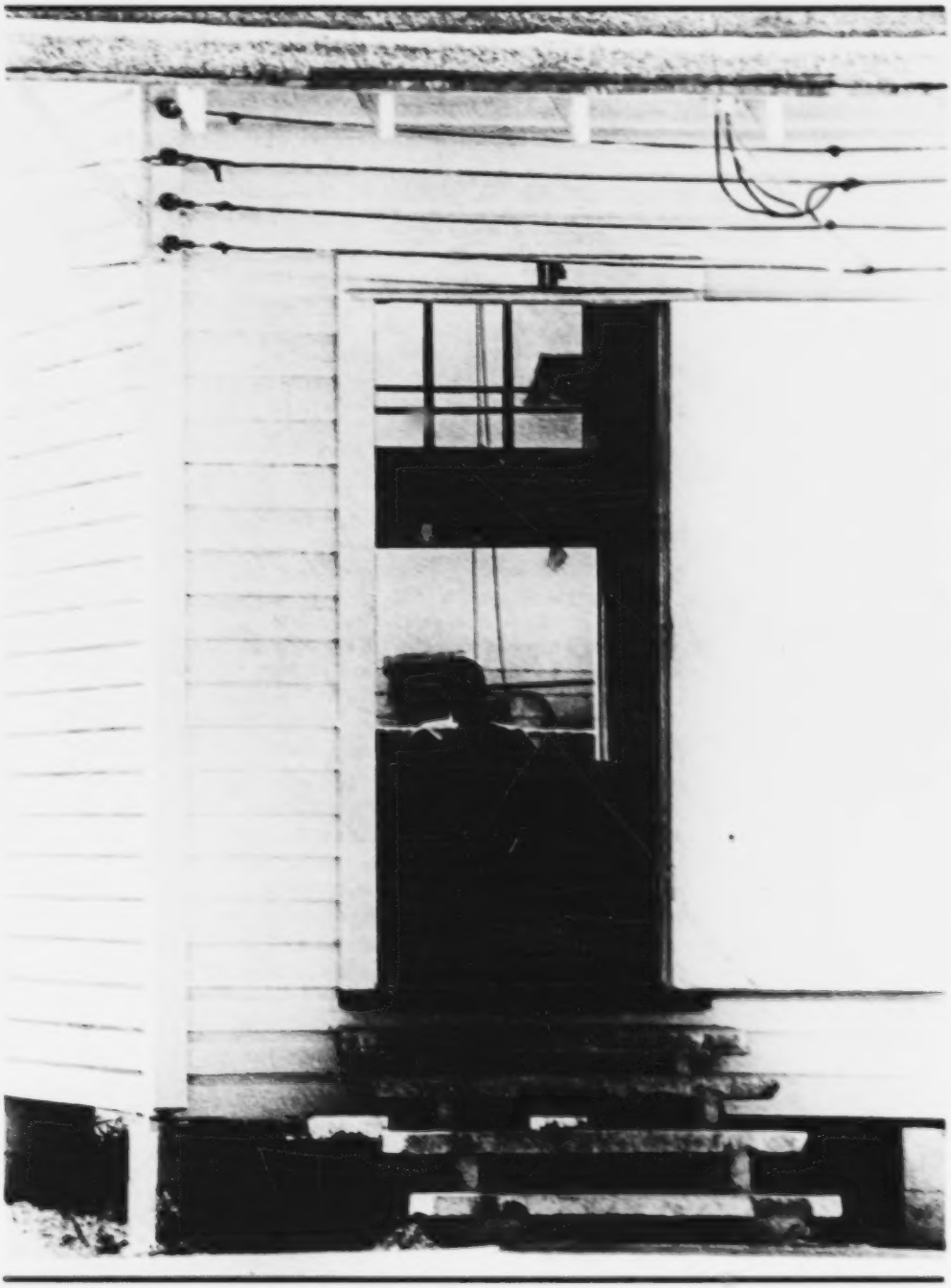
> 1984 survey of farmers reported half of Colorado farms would be gone by 1990.... Seventeen percent (of farmers surveyed) expected to be out of farming within one year. Thirty-four percent expected to be out of farming in five years. Rural districts are losing students.

Such comments raise the question: Are current economic conditions having a special impact on the demographics of rural areas? The question was put to Calvin Beale, long time head of the population section of the Agriculture Department's Economic Research Service. He indicated that he knew of no general statistical studies of recent trends but offered the following personal observations as one who has been studying rural demographics for some time:

> A definite decline in school population is taking place, to the point where, in some districts, there is no longer the "critical mass" needed for an adequate school program. But from the long range perspective, the number of people leaving rural areas is not heavy—much less than left 20 to 30 years ago when the rural population was of course much larger than now. In the 1950s and early 1960s, rural areas were regularly losing five percent per year from the long term shrinkage of farming and such factors as farm consolidation, blacks' migration to the cities, and the closing down of small tenant farmers.

One recent study indicated that while people leave farming they do not necessarily leave rural areas. The survey took place 18 months ago in one county in northern Missouri containing 1,000 farmers. It examined the 45 families that had left farming in the previous five years and found that not more than one-sixth had left the area during that period.

Beale suggested that there may be a qualitative difference in the type of person leaving farming because of the current rural recession. These departing farmers tend more to be pillars of the community; well-educated, affluent operators than their counterparts in earlier years. To the extent that these people leave the area, community leadership and support for public education are the losers.



Improvement Prospects in the Rural Economy

The 1980-86 period has seen economic decline in many parts of rural America, with the effects on school financing and programs detailed in the preceding pages. What are the future prospects for the rural economy? Will the working of market forces—such as the weakening of the U.S. dollar abroad and the decline in interest rates at home—stabilized farm conditions and help severely affected rural school districts recover?

In August, 1985, the Economic Research Service of the Agriculture Department reported that:

> Most of the forces that caused the 12 percent decline (in farmland values) are still present and are expected to continue through 1985. Prospects for farm income are poor, primarily because of large stocks of commodities, surplus production capacity, and competition for export markets. Although interest costs may decline with lower farm debt and reduced interest rates, production costs will remain relatively high. Off-farm income of farmers is expected to be higher in 1985, which could strengthen the land market. However, financial stress probably will continue for many farmers.

Latest information from the Department of Agriculture indicates that the drop in land values is continuing but at a slower rate—around four percent per year instead of the peak rate of 12 percent in 1984 and 1985—and is expected to level off in 1987-88. "Although it is hard to find a silver lining, things are not getting worse as fast as they were."

Lower interest rates are a major help. The cheaper U.S. dollar has a lesser and slower positive effect, partly because of the time required for new contracts for delivery of commodities to be put into effect, partly because the dollar has not fallen as much in comparison with the currencies of our chief agricultural competitors (Canada, Argentina, Brazil) as it has in comparison with those of our industrial competitors (West Germany, Japan). Further dampening the effect of the falling dollar is the fact that world agricultural production is increasing rapidly, due to technological advancements and new irrigation and drainage methods, intensifying competition for declining world exports.

As rural economic conditions begin to stabilize, the important fact remains that they stabilize at decidedly lower levels than existed in 1980 at the beginning of their recent decline. As noted at the outset, nearly $150 billion in farm owners' equity was lost through land value depreciation between 1980 and 1985.

As for farm income, a recent Wisconsin study summarizes the prospects succinctly:

> A sharp reversal in farm income is unlikely in the near term. Export markets lost since 1981 will not be fully regained. New federal farm legislation does not treat the root causes of the problem. Hence, further devaluation of farm assets will occur, causing losses for both farmers and lenders, and fueling continued public debate on the need for and methods of relief.

These finding suggest that depressed economic conditions will continue in many parts of rural America for some time to come, with their obvious implications for the financing of rural public schools in those areas.

Appendix

Table 1

Changes in School District Property Tax Receipts, 1982-84, for U.S., Six Selected States, and Farm-Dependent Counties within those States (in 000)

		1982	1984	% Change 1982-84
U.S. & D.C.		$35,531,788	$41,633,040	17.2%
IA:	All Cos.	656,833	716,276	7.0
	Agr.	197,000	206,400	4.6
KS:	All Cos.	534,744	593,373	10.8
	Agr.	102,200	116,100	13.6
MN:	All Cos.	590,338	913,316	54.7
	Agr.	75,300	109,900	45.9
MO:	All Cos.	748,639	736,374	−1.7
	Agr.	50,800	46,800	−7.9
NE:	All Cos.	447,701	512,149	14.5
	Agr.	133,100	149,808	12.5
ND:	All Cos.	109,953	115,542	5.5
	Agr.	43,326	44,286	2.2

Source: U.S. and statewide data: U.S., Bureau of the Census, *Finances of Public School Systems*, 1981-82 and 1983-84. Farm-dependent county data: Unpublished reports of U.S. Bureau of Census and author's compilation.

Table 2

Changes in School District State Aid, 1982-84, U.S., Selected States, and Farm-Dependent Counties Within those States (in 000s)

		1982	1984	% Change 1982-84
U.S. & D.C.		$53,663,263	$60,525,977	12.8
IA:	All Cos.	795,541	835,519	5.0
	Agr.	197,000	206,400	4.8
KS:	All Cos.	508,541	606,469	19.1
	Agr.	46,500	60,200	29.5
MN:	All Cos.	1,449,189	1,362,229	−6.0
	Agr.	180,400	166,300	−7.8
MO:	All Cos.	806,077	879,643	9.2
	Agr.	66,500	71,700	7.8
NE:	All Cos.	183,090	235,308	28.4
	Agr.	39,200	50,924	29.8
ND:	All Cos.	209,725	215,938	2.9
	Agr.	82,724	82,221	0.6

Source: U.S. and statewide data: U.S., Bureau of the Census, *Finances of Public School Systems*, 1981-82 and 1983-84. Farm-dependent county data: Unpublished reports of U.S. Bureau of Census and author's compilation.

nea
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